CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

1959

YEAR ENDED JANUARY 2, 1960

BOARDS
q658.7414
Sa17r

TEN-YEAR SUMMARY

1950	1951	1952	1953 (53 weeks)	1954	1955	1956	1957
$1,209,994	1,454,643	1,639,095	1,751,820	1,813,517	1,932,243	1,989,305	2,117,314
28,804	13,319	17,094	29,620	28,831	27,330	53,361	65,018
14,087	5,703	9,762	15,075	14,847	13,708	27,955	34,111
14,717	7,616	7,332	14,545	13,984	13,622	25,406	30,907
1.22%	.52	.45	.83	.77	.70	1.28	1.46
$ 1,037	1,238	1,642	1,914	1,915	2,272	1,941	1,392
6,401	6,786	6,796	7,091	8,336	8,386	8,819	10,767
7,279	(408)	(1,106)	5,540	3,733	2,964	14,646	18,748
$ 1.73	.75	.67	1.44	1.17	1.08	2.14	2.48
.80	.80	.80	.80	.80	.80	.80	.90
8.42	7.93	10.48	9.81	11.29	9.10	9.20	9.33
9.92	9.86	9.68	10.41	10.77	11.02	12.63	14.30
$ 71,448	67,254	89,396	91,381	117,889	95,585	105,964	113,347
1.62	1.39	1.63	1.64	1.95	1.57	1.80	1.90
84,139	83,643	82,537	96,990	112,458	115,681	145,513	173,688
32,808	38,000	41,060	46,836	49,887	54,257	54,949	57,356
19,498	24,501	28,635	35,416	38,253	39,315	39,316	43,224
2,072	2,125	2,092	2,037	1,998	1,988	1,981	2,033
$ 571	676	757	825	877	951	976	1,029

NOTES:

(1) In thousands of dollars.

(2) Dividends of $287,757 declared in 1958 and paid on April 1, 1959 are shown in the 1959 column only.

(3) Dividends of $3,688,349 declared in 1958 and paid on 1/31/59, 2/28/59 and 3/31/59 are shown in the 1959 column only.

SAFEWAY FINANCIAL HIGHLIGHTS

1958		1959 (53 weeks)
	OPERATING RESULTS (1)	
$2,225,352	Sales	$2,383,011
69,874	Profit before income taxes	76,511
36,468	Provision for taxes on income	40,810
33,406	Net profit	35,701
1.50%	Net profit as a percent of sales	1.50%
	DISTRIBUTION OF EARNINGS (1)	
$ 1,197	Dividends to preferred stockholders	$ 1,130 (2)
13,461	Dividends to common stockholders	15,415 (3)
18,748	Earnings reinvested in the business	19,156
	PER SHARE OF COMMON STOCK	
$ 2.63	Net earnings	$ 2.80
1.10	Dividends paid	1.25
8.64	Working capital	9.19
15.52	Book value	17.40
	FINANCIAL POSITION (at end of year)	
$ 106,173	Working capital (1)	$ 113,523
1.81	Current assets per dollar of current liabilities	1.86
190,871	Equity of common stockholders (1)	215,080
	OTHER STATISTICS	
59,555	Number of employees (at end of year)	63,149
54,917	Approximate number of stockholders of record (at end of year)	59,000
2,117	Number of stores (at end of year)	2,164
$ 1,050	Average annual sales per store (1)	$ 1,088
	SOURCE AND USE OF FUNDS (1)	
	FUNDS PROVIDED FROM:	
$ 33,406	Net profit	$ 35,701
25,270	Depreciation provision	27,805
(403)	Sale of capital stock net of retirement	274
$ 58,273	Total	$ 63,780
	FUNDS USED FOR:	
$ 18,635	Dividends to Company stockholders	$ 12,569
38,762	Additions to fixed assets (net)	36,833
(7,175)	Increase in working capital	7,350
8,483	Reducing long term indebtedness	6,783
(432)	Increase in other assets	245
$ 58,273	Total	$ 63,780

EXECUTIVE OFFICERS

Robert A. Magowan, President and Chairman of the Board of Directors
Ralph D. Brown, Vice President
George T. Burroughs, Vice President
Henry B. Clay, Vice President
Hugh Frost, Vice President
A. Russell Griffith, Vice President and Controller
William S. Mitchell, Vice President
J. W. Rupley, Treasurer
Drummond Wilde, Secretary and Vice President

DIRECTORS

Robert A. Magowan, Chairman of the Board
J. G. Boswell, II
George T. Burroughs
Norman Chandler
Charles de Bretteville
Hugh Frost
Artemus L. Gates
A. Russell Griffith
Joseph M. Long
Michael W. McCarthy
William S. Mitchell
Milton L. Selby
Jack I. Straus
Brayton Wilbur

EXECUTIVE COMMITTEE

Robert A. Magowan, Chairman
Charles de Bretteville
Joseph M. Long
Milton L. Selby
Brayton Wilbur

EXECUTIVE OFFICES

4th and Jackson Streets, Oakland, California

TRANSFER AGENTS

The Chase Manhattan Bank, New York, New York
Crocker-Anglo National Bank, San Francisco. California

REGISTRARS

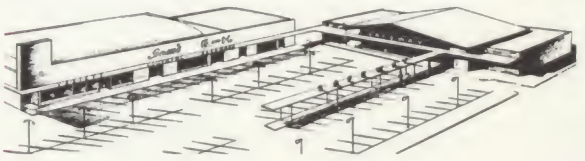
First National City Trust Company, New York, New York
The Bank of California, National Association, San Francisco, California

ACCOUNTANTS

Peat, Marwick, Mitchell & Co.

THE COVER . . .

As communities grow so must their merchants. Construction of a new Safeway starts alongside the successful present store from which it grew. When the new store is completed, the existing building will be converted to several smaller shops that will join Safeway as part of the integrated shopping center shown below.



ANNUAL MEETING: The 1960 Annual Meeting of the Common Stockholders will be held on May 17, 1960. In connection with this meeting, proxies will be solicited by the management. A notice of the meeting, together with a proxy statement and a form of proxy, will be mailed separately to Common Stockholders about April 11, 1960. This Annual Report does not constitute part of the proxy soliciting material.

CONTENTS

Ten-Year Summary ____ 1
Officers and Directors ____ 2
President's Message ____ 3
Operations Map ____ 8
Accountants' Report ____ 17
Financial Position ____ 18-19
Profit and Loss ____ 20

SAFEWAY STORES, INCORPORATED

TO OUR STOCKHOLDERS:

Growth means many things. In Safeway we think of growth as orderly and dynamic progress in *all* fields of operations.

So relatively recent were Safeway's beginnings as a single store, and its incorporation in 1926, that the Company is one of the nation's youngest major retail food organizations. Safeway's growth has been achieved primarily by improvement, replacement and development of its own store and distribution facilities in the trading areas served. The Company's program of developing new retail facilities has progressed to the point where the majority of our retail stores now are less than ten years old. Other stores which we expect to retain on a long-range basis have been, or are scheduled to be completely modernized. In 1959 the Company opened 198 new and completely modern retail facilities and closed 151 older stores.

For the 53-week year 1959, sales increased 7.1% over 1958 (52 weeks), and net profit improved 6.9%. Complete financial statements for the year 1959 are included in the report. You will be interested in the Ten-Year Summary, the other significant information about the Company's operations, and the charts which portray graphically Safeway's continued progress.

Growth and development of Safeway are creating excellent career opportunities for outstanding young men and women interested in food retailing, and our sixty-three thousand employees have a keen awareness of the rewards attainable through individual effort.

I would like to express my sincere appreciation to our customers, our employees, our stockholders, our Directors, and our many friends who, together, made 1959 a record year for Safeway.

March 5, 1960.

Robert A. Magowan

PRESIDENT AND CHAIRMAN OF THE BOARD

1915

SAFEWAY
STORES

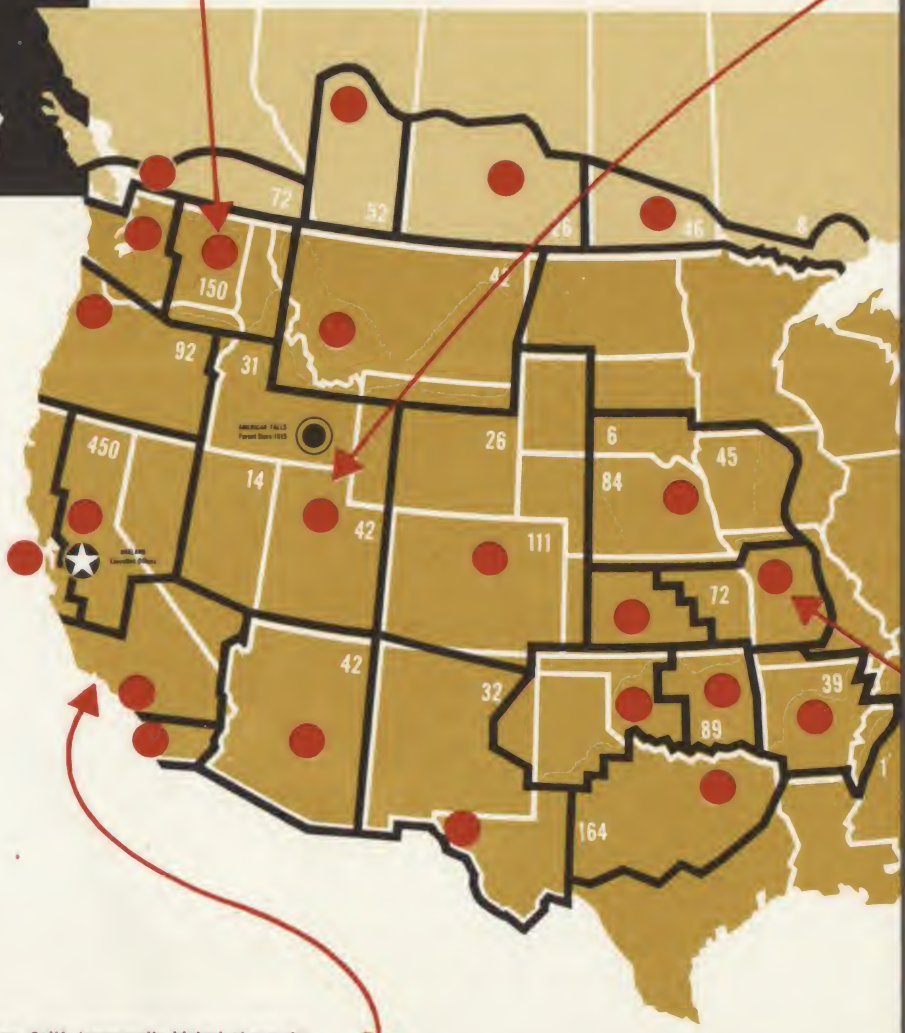
Not so very long ago, the busiest grocery in town was this forebear of Safeway. It reflects the orderliness and neatness for which the Safeway family of stores has been known ever since. The Company's earlier parent store was built by founder M. B. Skaggs at American Falls, Idaho, in 1915. Safeway, itself, was incorporated in 1926. From such humble but progressive beginnings has sprung today's organization. The old stove has given way to air-conditioning which, with refrigeration, has brought undreamed of conveniences as well as variety . . . fresh vegetables, meats, dairy and frozen foods of all kinds . . . twenty times as many shopping items.

During 1959, four and a half decades after that first single store, Safeway opened 198 new stores and remodeled 205 older ones. This Marina location along the shores of San Francisco Bay was one of 1959's finest. Clean, colorful, efficient interior designs together with inviting exterior silhouettes impart Safeway's friendliness. The Company's acceptance among its customers has provided employment for ten times as many persons per store as was true during those early years. Although stores improve, the Company has reduced construction costs 18.6% per square foot during the last four years and cut the time between site purchase and store opening 53%—to about eleven months.

1959

SAFEWAY MEATS

Spokane, Washington



Santa Barbara, Calif. (community historical murals)

retail divisions	stores
ALBERTA *Edmonton* W. A. Hembroff	52
BUTTE W. E. Murray	48
DALLAS C. A. Bradburn	130
DENVER R. L. Campbell	148
EL PASO David Kimmel	44
KANSAS CITY J. M. Tudor	90
LITTLE ROCK K. W. Huntington	40
LOS ANGELES D. B. Kane	191
NEW YORK *Jersey City, N. J.* L. M. Pringle	179
OKLAHOMA CITY R. E. Templeman	67
OMAHA Virgil Needham	121
PHOENIX E. L. McIntosh	42
PORTLAND G. M. Mangan	99
SACRAMENTO G. R. Stafford	76
SALT LAKE CITY W. E. Williams	70
SAN DIEGO Merle E. Mantle	39
SAN FRANCISCO Quentin Reynolds	157
SASKATCHEWAN *Regina* G. W. Rudolph	26
SEATTLE J. L. Heathcote	104
SPOKANE Gus H. Parker	46
TULSA Fred E. Rowland	40
VANCOUVER Walter J. Kraft	72
WASHINGTON DC J. A. Anderson	185
WICHITA W. Ralph Low	44
WINNIPEG W. F. Griffiths	54

Safeway's attractive Bellevue Distribution Center, completed in 1959, and the beauty of its location almost distract attention from its functional importance. But a glance at an older multi-storied warehouse (left, below) with its

ETAIL OPERATIONS

Richmond, Va. (planned community design)

Brigham City, Utah

This map shows the boundaries of Safeway's 25 Retail Divisions. Red dots indicate headquarters' cities. White numerals show the number of stores in each Province or State. On the adjacent bar are listed the Divisions, their managers, and the number of stores in each. At year end, 2,164 were in operation of which 198 were opened in 1959.

IMPROVEMENT OF SAFEWAY'S R

Five of Safeway's new 1959 stores are illustrated here. Alaska was added to the Seattle Division, and negotiations were completed for one store at Fairbanks and two at Anchorage where the first celebrated its opening in February, 1960.

Independence, Mo. (shopping center location)

inefficient and congested areas for merchandise handling and transport shows the advantages of suburban terminals. Outside metropolitan Seattle, these 47.5 acres serve 104 stores and provide warehousing facilities for meats, groceries, perishable goods and frozen foods; truck services; refrigeration and power; and an administration building. During the 1950s, similar Centers were established at eleven other Divisions.

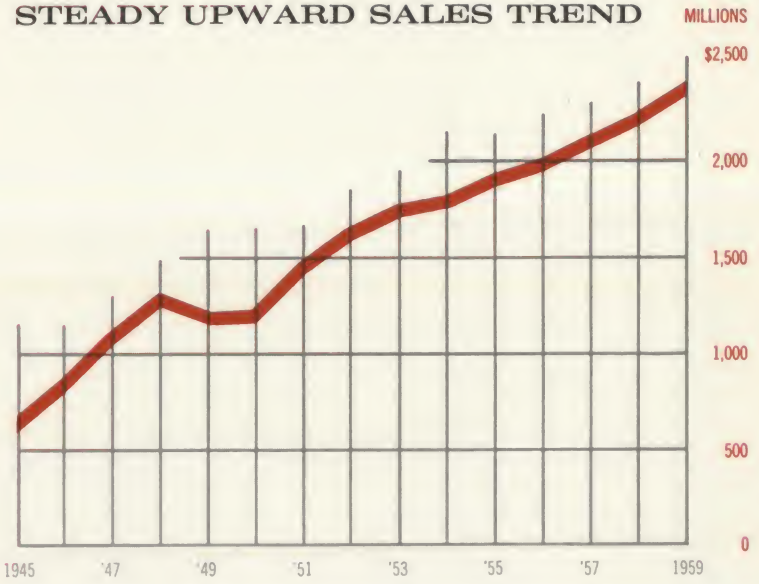
Nearly half of Safeway's Retail Divisions now have one-stop distribution terminals. Improvement of Safeway's retail facilities created even more growth, adding 1,241 of all present stores during the decade — 783, 63% of them, during the last 5 years. But whereas industry steel construction cost indexes increased 15.7% per square foot from 1956 through the third quarter of 1959, Safeway's costs decreased 18.6%.

SAFEWAY'S PROGRESS

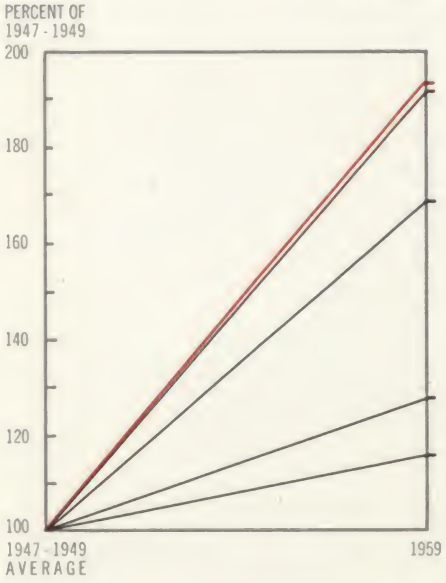
	millions
1945	$ 665
1946	847
1947	1,117
(53 wks) 1948	1,277
1949	1,198
1950	1,210
1951	1,455
1952	1,639
(53 wks) 1953	1,752
1954	1,814
1955	1,932
1956	1,989
1957	2,117
1958	2,225
(53 wks) 1959	2,383

Safeway's 1959 sales continued the steady upward trend to a new high. During the 1950 decade sales nearly doubled. The Company pushed thru the $2 billion level two years ago—first western firm to do so.

STEADY UPWARD SALES TREND



TREND PARALLELS INDUSTRY GROWTH



SAFEWAY'S U. S. RETAIL SALES . . . . . +94%
U. S. Grocery Store Sales . . . . . +92%*

U. S. Retail Store Sales Other Than Food Stores +69%*

Retail Prices Other Than Foods . . . . . +28%*

Food Prices in Retail Stores . . . . . +16%*

*BLS and USDC

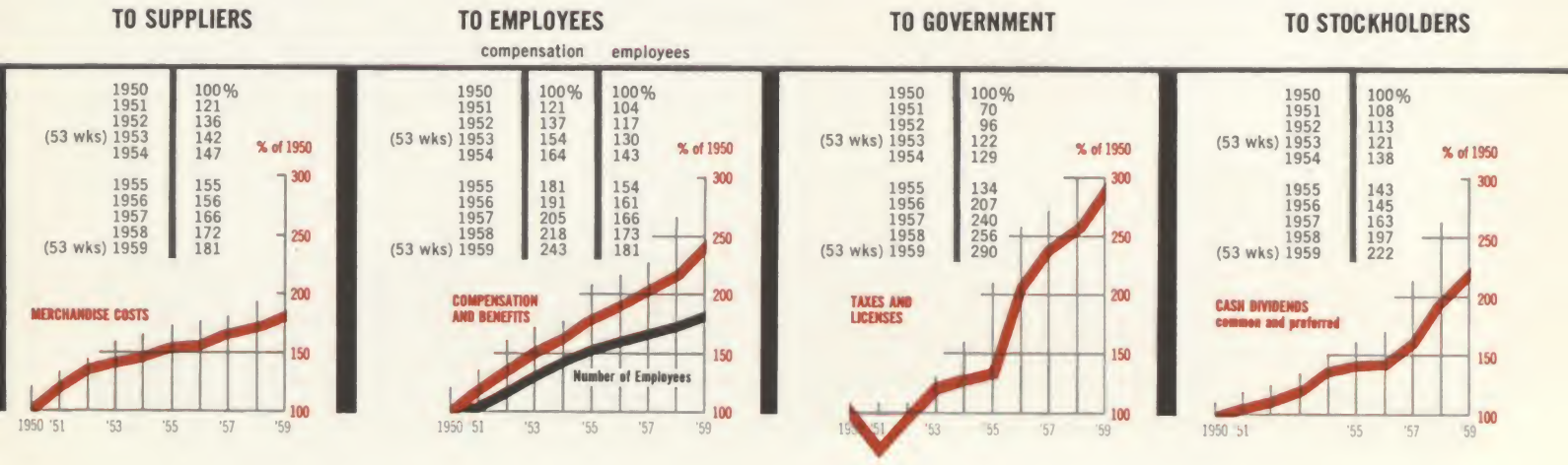
Safeway's sales, like those of other grocery stores, increased considerably more than sales of other types of retailing during the past decade. Retailers generally moved ahead more rapidly than accounted for by population and price gains. These dollar sales of Safeway and other grocers, when adjusted for the slower rate of food price increases, represent a tonnage sales increase of about 66%—which with a 21% larger population is equivalent to a 37% gain per capita during the 1950's.

During postwar years, food prices have risen less than others as a result of abundant agricultural output and improved marketing methods. This helped check postwar inflation of the so-called "cost of living." With rising per capita standards of eating, the importance of grocery retailing has grown in the U. S. economy—progress in which Safeway has both contributed and shared.

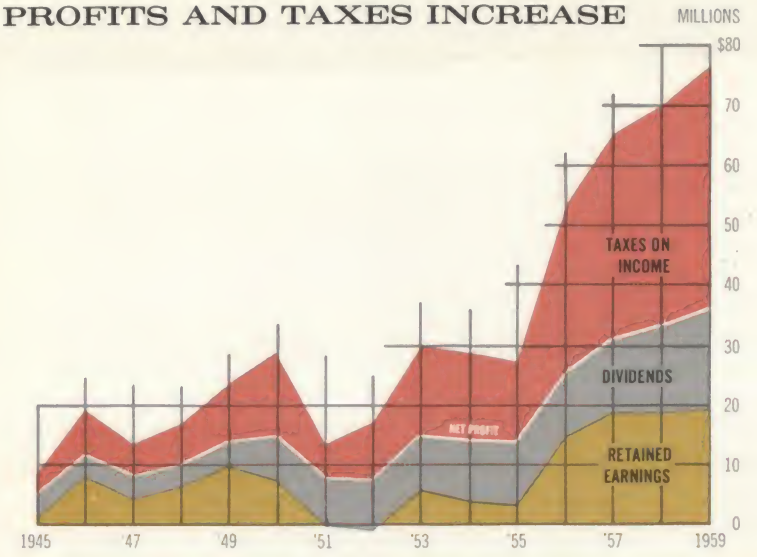
Participants in Safeway's Growth

When customers are served successfully, businesses progress. A growing company shares economic benefits with its suppliers, its employees, the service trades and all others with whom it transacts business. Similarly it pays more to federal, state and local governments. Owner-stockholders, of course, also benefit. The series of charts below show rising trends during the 1950's in Safeway payments to those who receive most from the dollars spent by Safeway's customers. For better comparability, these graphs are shown as indexes based upon the start of the decade. Payments to suppliers of merchandise (by far the largest outlay) followed a steady upward trend similar to that of Safeway's sales. With wage rates and the so-called fringe benefits rising faster in the economy than wholesale or retail grocery prices, employee compensation increased more sharply. Increases in property and other taxes, together with greater income taxes as a result of improved profits, stepped up payments to government markedly during the latter part of the decade. A substantial growth in payments to holders of common stock also shows toward the end of the 1950's. (Safeway's dividend rate per common share was increased the third consecutive year.) Growth and progress spread their benefits throughout our economy.

PAYMENTS BY SAFEWAY



PROFITS AND TAXES INCREASE



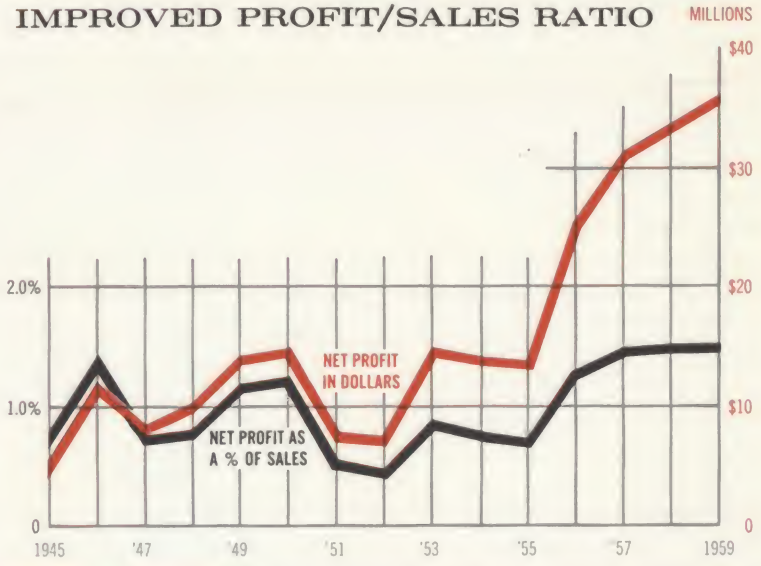
	income taxes	dividends common	dividends preferred	retained earnings
	in millions:			
1945	$ 3.3	$ 2.5	$1.0	$ 1.5
1946	7.7	2.5	1.0	8.1
1947	5.5	2.6	1.0	4.5
(53 wks) 1948	6.8	2.6	1.0	6.4
1949	9.8	3.2	1.0	9.8
1950	14.1	6.4	1.0	7.3
1951	5.7	6.8	1.2	(0.4)
1952	9.8	6.8	1.6	(1.1)
(53 wks) 1953	15.1	7.1	1.9	5.5
1954	14.8	8.3	1.9	3.7
1955	13.7	8.4	2.3	3.0
1956	28.0	8.8	1.9	14.6
1957	34.1	10.8	1.4	18.7
1958	36.5	13.5	1.2	18.7
(53 wks) 1959	40.8	15.4	1.1	19.2

Safeway's improved profits of the past few years were shared about equally by government (in the form of income taxes) and by stockholders (in the form of dividends and retained earnings).

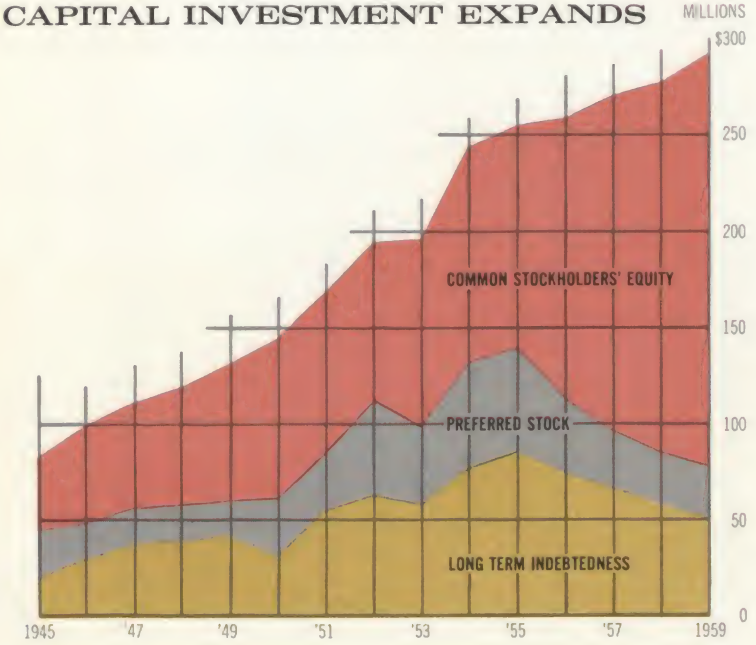
IMPROVED PROFIT/SALES RATIO

	millions	percent
1945	$ 5.1	0.76%
1946	11.6	1.37
1947	8.1	0.72
(53 wks) 1948	10.0	0.78
1949	13.9	1.16
1950	14.7	1.22
1951	7.6	0.52
1952	7.3	0.45
(53 wks) 1953	14.5	0.83
1954	14.0	0.77
1955	13.6	0.70
1956	25.4	1.28
1957	30.9	1.46
1958	33.4	1.50
(53 wks) 1959	35.7	1.50

In 1957 a profit-sales ratio nearer the retail food industry averages was achieved, making possible a more satisfactory net profit on expanded sales.



CAPITAL INVESTMENT EXPANDS

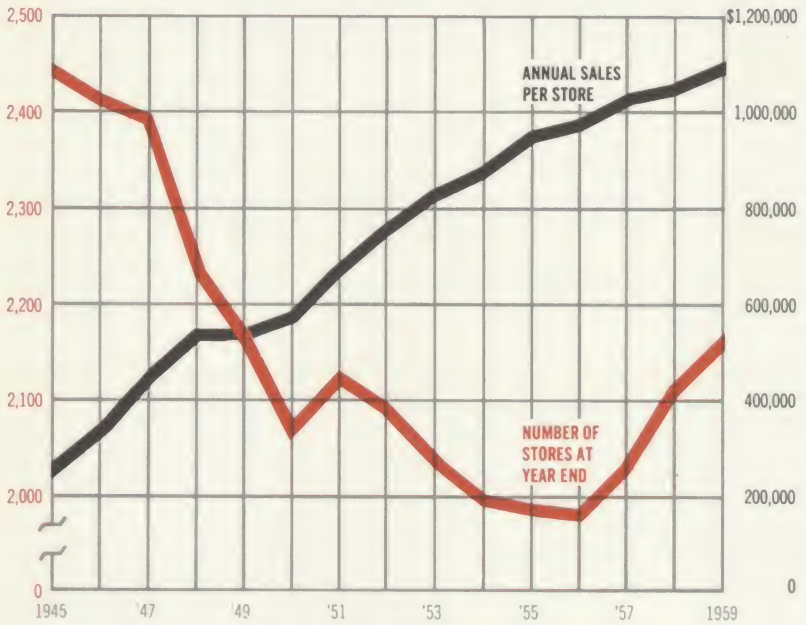


	common equity	preferred equity	long term debt
	in millions:		
1945	$ 43.1	$20.5	$20.0
1946	52.1	20.0	28.7
1947	56.4	19.6	36.6
(53 wks) 1948	62.8	19.2	38.6
1949	72.5	18.7	41.4
1950	84.1	31.1	30.4
1951	83.7	30.2	55.3
1952	82.6	49.7	63.1
(53 wks) 1953	97.0	41.2	58.5
1954	112.5	55.0	77.5
1955	115.7	54.5	85.3
1956	145.5	39.9	74.4
1957	173.7	31.3	66.3
1958	190.9	28.5	57.8
(53 wks) 1959	215.1	27.7	51.0

The equity of common stockholders has grown markedly in recent years, for the first time exceeding $200 million in 1959. Book value per common share increased from around $10 in the early 1950's to $17.40 at the end of 1959.

More Modern Stores

SALES PER STORE INCREASE



	number	average
1945	2,442	$ 254,000
1946	2,413	334,000
1947	2,393	445,000
(53 wks) 1948	2,240	535,000
1949	2,166	531,000
1950	2,072	571,000
1951	2,125	676,000
1952	2,092	757,000
(53 wks) 1953	2,037	825,000
1954	1,998	877,000
1955	1,988	951,000
1956	1,981	976,000
1957	2,033	1,029,000
1958	2,117	1,050,000
(53 wks) 1959	2,164	1,088,000

STORES OPENED, STORES CLOSED

	opened	closed	change
1945	23	44	— 21
1946	23	52	— 29
1947	31	51	— 20
1948	25	178	—153
1949	27	101	— 74
1950	70	164	— 94
1951	262	209	+ 53
1952	81	114	— 33
1953	16	71	— 55
1954	44	83	— 39
1955	104	114	— 10
1956	93	100	— 7
1957	186	134	+ 52
1958	209	125	+ 84
1959	198	151	+ 47

Safeway trends of the last fifteen years in average sales and number of stores are shown above. A separate table lists the net annual change caused by the opening of new stores and the closing of obsolete ones. Sharper uptrends are commencing to reflect the 53% reduction in development time between site purchase and store opening achieved during the last 5 years. The diagrammatic chart below further illustrates the effect on store facilities, 57% of which now are less than 10 years old, 36% less than five.

FINANCIAL STATEMENTS

ACCOUNTANTS' REPORT
PEAT, MARWICK, MITCHELL & CO.

The Board of Directors,
Safeway Stores, Incorporated:

We have examined the statement of consolidated financial position of Safeway Stores, Incorporated and all subsidiaries as of January 2, 1960 and the related statement of profit and loss and net income retained in the business for the fifty-three weeks then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statement of consolidated financial position and statement of consolidated profit and loss and net income retained in the business present fairly the financial position of Safeway Stores, Incorporated and all subsidiaries at January 2, 1960 and the results of their operations for the fifty-three weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

San Francisco, California
February 23, 1960

SAFEWAY STORES, INCORPORATED

STATEMENT OF

AS OF JANUARY 2, 1960 WITH

	January 2, 1960	December 27, 1958
Current Assets:		
Cash	$ 51,733,538	$ 44,714,651
Accounts and notes receivable	7,977,753	9,086,337
Merchandise inventories—at lower of cost or market	163,313,485	162,373,397
Prepaid expenses	10,131,739	6,931,384
Properties for development and sale within one year under the Company's real estate program	12,158,773	13,742,175
Total Current Assets	245,315,288	236,847,944
Deduct Current Liabilities:		
Debentures payable	5,198,000	5,200,000
Accounts payable	78,638,115	78,601,188
Accrued expenses	22,769,785	19,694,924
Dividends payable	—	4,365,113
Federal and Canadian income taxes	25,186,722	22,814,137
Total Current Liabilities	131,792,622	130,675,362
Working Capital (Carried Forward)	$113,522,666	$106,172,582

NOTES TO FINANCIAL STATEMENTS

DEBENTURES PAYABLE: The debentures, redeemable at varying premium rates prior to maturity, consist of: parent $43,896,000 at 3.60% to 4.25% interest, maturing $5,000,000 annually, plus $1,000,000 sinking fund requirement annually to 1965 and then $3,000,000 annually to maturity in 1969; Canadian subsidiary, $3,351,000 at 4½% interest, maturing $200,000 annually, plus $120,000 sinking fund requirement annually to 1966 and then $360,000 annually to maturity in 1970 ($1,471,000 of debentures have been acquired to meet the 1960 and a portion of subsequent years' sinking fund requirements).

Under the Indenture covering the parent's debentures, $71,600,715 of the net income retained in the business as of January 2, 1960 is restricted as to dividend payments and as to acquisition of its own stock. Certain other restrictions, including one upon creation of additional funded indebtedness, are imposed.

CAPITAL STOCK: The terms of issue of the parent Company's preferred stocks have sinking fund requirements which presently impose an annual retirement of 6,216 shares of the 4% preferred stock. The 4.30% preferred stock sinking fund requirement does not become operative until 1965. The preferred stocks are subject to redemption on call at a premium which is now $1.00 per share on the 4% and $2.00 per share on the 4.30%, which reduce ultimately to 50 cents per share.

Of the unissued common stock of the Company, 139,937 shares are reserved for conversion of the 4.30% preferred stock.

1959 ANNUAL REPORT • SAFEWAY STORES, INCORPORATED

SAFEWAY ANNUAL REPORT

SAFEWAY STORES, INCORPORATED AND ALL SUBSIDIARIES CONSOLIDATED

STATEMENT OF PROFIT AND LOSS AND NET INCOME RETAINED IN THE BUSINESS

For the 53 Weeks Ended January 2, 1960, with Comparative Figures for the 52 Weeks Ended December 27, 1958

	1959	1958
Sales	$2,383,011,483	$2,225,352,461
Cost of Sales (including depreciation $7,170,611)	1,911,577,966	1,802,223,761
Gross profit	471,433,517	423,128,700
Operating and Administrative Expenses (including depreciation $20,633,863)	392,332,852	350,424,397
Operating profit	79,100,665	72,704,303
Other Income	1,228,822	627,741
	80,329,487	73,332,044
Other Charges:		
Interest on debentures	2,118,492	2,317,165
Other interest	81,080	109,328
Amortization of debenture issue expense	134,558	149,270
Loss on disposition of fixed assets (net)	1,100,298	483,908
Dividends to public on preferred stock of a subsidiary	383,869	397,888
	3,818,297	3,457,559
Profit before taxes on income	76,511,190	69,874,485
Provision for Taxes on Income:		
Federal income tax	33,215,903	30,180,528
Canadian and other income taxes	7,594,097	6,287,472
	40,810,000	36,468,000
Net Profit	35,701,190	33,406,485
Net Income Retained in the Business at Beginning of Period	113,222,945	98,117,515
	148,924,135	131,524,000
Deduct:		
Cash dividends:		
4.30% convertible preferred stock	73,470	187,752
4% preferred stock	768,384	1,297,450
Common stock*	11,726,829	17,149,541
Transfer to additional paid-in capital of issue expense of 4.30% preferred stock converted into common stock	(21,835)	(58,668)
Gain on acquisition of preferred stock of a subsidiary	(18,504)	(34,242)
Transfer from additional paid-in capital of a subsidiary	—	(240,778)
	12,528,344	18,301,055
Net Income Retained in the Business at End of Period	$ 136,395,791	$ 113,222,945

*Dividends paid in 1959 were $1.25 and in 1958 were $1.10 per share. Of the 1959 dividend, $.30 was declared and charged to Net Income Retained in the Business in 1958.

EMPLOYEE RETIREMENT AND PROFIT-SHARING PLANS: Company payments into Employee Retirement Plan Trust Funds for the year amounted to $2,421,805, and to the Profit-Sharing Plan Trustee amounted to $4,540,907.

CONTINGENT LIABILITIES, COMMITMENTS, ETC.:

(a) The liability upon completion of contracts for construction of buildings and purchase of land not reflected in the financial statements amounted to approximately $17,500,000.

(b) Property leases in effect number 2,883, of which 2,415 contain options to cancel. Should the Company exercise these options, it could be required to purchase 1,880 properties. The minimum annual rental for 1960 under all leases (some of which contain percentage of sales clauses) is approximately $38,000,000; this amount decreases annually until the year 2009 as leases expire.

(c) The accounts of the Canadian subsidiaries are consolidated as U. S. funds at dollar for dollar.

AND ALL SUBSIDIARIES CONSOLIDATED

FINANCIAL POSITION

COMPARATIVE FIGURES AS OF DECEMBER 27, 1958

	January 2, 1960	December 27, 1958
Working Capital (Brought Forward)	$113,522,666	$106,172,582
Notes Receivable and Miscellaneous Investments	3,481,040	3,101,727
Fixed Assets—at cost less depreciation of $137,271,886	176,332,357	167,303,958
Unamortized Debenture Issue Expense	513,782	648,340
Working Capital and Other Assets	293,849,845	277,226,607
Deduct:		
Debentures payable—long term	42,049,000	48,319,000
Mortgage notes payable secured by land and buildings costing $373,844—long term	237,968	432,848
Preferred stock of Canadian subsidiary held by public—par value	8,724,300	9,042,800
	51,011,268	57,794,648
Stockholders' Equity	242,838,577	219,431,959
Deduct:		
4.30% convertible preferred stock (cumulative) par value $100 per share—authorized and outstanding 21,457 shares	2,145,700	2,866,900
4% preferred stock (cumulative) par value $100 per share—authorized 476,810 shares—outstanding 256,128 shares (after deducting 310 shares in treasury)	25,612,800	25,693,800
	27,758,500	28,560,700
Common Stockholders' Equity	$215,080,077	$190,871,259
Consisting of:		
Common stock—par value $1.66⅔ per share—authorized 27,000,000 shares—outstanding 12,359,422 shares (after deducting 45,964 shares in treasury)	$ 20,599,037	$ 20,490,827
Additional paid-in capital	58,085,249	57,157,487
Net income retained in the business	136,395,791	113,222,945
Common Stockholders' Equity	$215,080,077	$190,871,259

In addition, 208,932 shares of common stock are reserved for issuance to officers and employees pursuant to a restricted stock option plan, under which options to purchase common stock may be granted to officers and employees of the Company and its subsidiaries, as determined by the Board of Directors, in consideration of agreements not to terminate their employment before fixed dates. All matured options become void unless exercised within three months after employment terminates, with one year extension on employee's death, and in any event after December 31, 1961 as to those granted under the original plan, approved in 1951, and after December 31, 1967 as to those granted under the approved 1957 supplement to the plan.

At the beginning of the year options for 198,104 shares were outstanding at a total option price of $5,005,860. During the year, options for 23,600 and 9,900 shares were granted at the respective option prices of $39.3125 and $36.6875 per share; options for 17,972 shares were exercised at a total option price of $328,945; options for 4,700 shares (which are subject to reallocation) became void due to death or termination of employment; and no changes occurred in the exercise prices of outstanding options. At the end of the year options were outstanding for 208,932 shares, of which 18,252 shares are exercisable at $11.292 per share; 1,500 at $15.125; 18,430 at $21.896; 42,950 at $26.084; 38,200 at $25.625; 57,100 at $32.125; 22,600 at $39.3125 and 9,900 at $36.6875. The unoptioned shares available for the granting of options at the beginning and end of the year were 197,400 and 168,600, respectively.

ADDITIONAL PAID-IN CAPITAL: Changes in 1959 consist of $641,732 excess of 4.30% preferred stock par value over that of common stock issued on conversion less $21,835 prorata share of original issue expense; $298,991 excess of proceeds over par value of common stock issued under options exercised; $8,874 discount on 4% preferred stock acquired.

1959 ANNUAL REPORT

SAFEWAY STORES, INCORPORATED
P. O. Box 660, Oakland 4, California

Cleveland Public Library
325 Superior Ave., N. E.
Cleveland, Ohio